

Project information

Project title

Drivers for increased use of the Northern Sea Route: Russian policies, mineral sector development, and insurance conditions

Year

2013/2014

Project leader

Eirik Mikkelsen, Norut

Participants

- Eirik Mikkelsen, Norut, project leader
- Anne Katrine Normann, Norut
- Arild Moe, FNI
- (Rune Rautio, Akvaplan-Niva was also part of the project application, but not the parts that have been funded by Fram)

Flagship

Arctic ocean, Theme: Driving forces and development of new industry

Funding Source

Fram Centre, MFA

Summary of Results

The project continues into 2014 and 2015, with the awarded funding from the Norwegian Foreign Ministry, as well as own funding from Akvaplan-Niva and Norut.

Hence, here we present only preliminary results:

On Insurance, in general, no P&I insurance company refrain from insuring ships sailing along the Northern Sea Route. Once a ship is insured in a company, it is free to sail in any waters, and it is not a practice to refuse to insure ships sailing in Arctic waters. The insurance companies do encourage their customers to take precautions when sailing in Arctic waters, and in general, they trust their customers to take every precaution possible. Sailing along the Northern Sea Route is also tightly regulated, which can be done only by permission of the North Sea Route Administration.

The insurance companies recommend their customers to make contact, in order to consider the risks and managed for the benefit of the customer. So far, there have been only small incidents, and no major accidents with commercial ships sailing the Northern Sea Route. If traffic picks up as much as some predict, it is anticipated that there will be a risk of severe accidents. The risk of not being able to limit the consequences of accidents is seen as high, since there is a deficit of salvage and rescue infrastructure. Even though there are plans of improving such infrastructure, it will probably still be far away if an accident occurs.

While Russian authorities consider easing up on ice class requirements, insurance companies interviewed consider this a bad idea. High speed combined with ships not strengthened for Arctic sailing represent a risk. Insurance companies have a dialogue with Russian authorities in this respect, encouraging both ice class requirements and the assistance of ice breakers. Sending a non-ice classed vessel to a port where she is likely to encounter ice may be prejudicial to the ship owners' insurance cover. Ice-breaker assistance makes the sailings quite safe, also in case of machinery break down, or personnel medical needs.

For the Russian internal management and infrastructure on the NSR, a new tariff regime was implemented in 2013, with maximum tariffs set by the Federal Tariff Service and actual rates negotiated with the icebreaker company. The payment is supposed only to cover 'services rendered' - i.e. actual use of icebreaker service. There is still much discussion on how to finance icebreaker back-up and infrastructure. We conclude that the tariff system is not settled.

Sovcomflot, the leading Russian shipping company, has been interviewed. Sovcomflot is clearly interested in expanding its Arctic activities, but is so far not prepared to contribute to shipping infrastructure. It seems to loyally follow Atomflot's position with regard to icebreaker requirements. Sovcomflot aims to have some of the carriers slated for transport of LNG from Sabetta on the Yamal peninsula, but this seems to be in some conflict with the project owner, Yamal LNG, who favours minimizing the use of long-haul nuclear icebreakers. This issue will be particularly interesting to study, with great implications for development of traffic on the NSR.

For the Management

See preliminary results above

Published Results/Planned Publications

Poster presentation at Arctic Frontiers, January 2014 (Normann and Mikkelsen): "Navigating in ice in nothing new, but.... The role of insurance for use of the Northern Sea Route. Preliminary results" (attached to this report)

Planned:

Journal articles 2014 and 2015.

Communicated Results

- Poster presentation Arctic Frontiers, January 2014 (Normann and Mikkelsen)
- Keynote speaker at workshop on Arctic shipping, arranged by the Norwegian ministry of trade and industry, Tromsø, January 2014 (Moe)
- Newspaper article: Stuttgarter Zeitung 29/1-2014 "Arktis-Konferenz - Neue Wege durchs Polarmeer» (Mikkelsen)
- Invited speaker for the Arctic Shipping Forum in Helsinki, April 2014 (Normann)
- Invited speaker for the "Cooperation 66 North" conference in Tromsø 8-9 May 2014 (Normann): "Limiting and facilitating factors for shipping on the Northern Sea Route: Insurance companies' views"

Interdisciplinary Cooperation

The project has benefited from contributions from different disciplines, that give a more comprehensive understanding of drivers for Arctic shipping. These disciplines includes economic geography, economics, and political science.

Budget in accordance to results

The project would very likely not been started without the prospect for funding from the Fram Centre. The grant from the Barents2020-fund has counted Fram funding as state support, which from the Foreign Ministry's viewpoint could not be more than 75% when they granted support.

Could results from the project be subject for any commercial utilization

No

Conclusions

The project continues 2014-15 with more in depth studies of the insurance market for Arctic shipping and its actors, Russian domestic policies for infrastructure development and funding of this infrastructure, and plans and policies of the mineral sector regarding use of shipping.

The project has revealed the need to better understand the actual future need for Russian icebreakers, the market developments for minerals and oil and gas – as they will be important drivers for Arctic shipping – and the alternative transport options for these products.

The project aims to better understand the influence of various drivers for Arctic shipping, also in integrated, quantitative models. Together with various partners framework models for this has been/is being further developed, and financing for projects sought.